



**United States
Office of
Personnel Management**

Washington, D.C. 20415

In Reply, Refer To:

Your Reference:

- Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

The Office of Personnel Management submits herewith a legislative proposal, "To amend title 5, United States Code, to change the method of computing benefits for employees who perform part-time service under the Civil Service Retirement System, and for other purposes," together with appropriate accompanying documents.

This proposal is part of the Administration's continuing effort to eliminate any actual or potential abuses in Government programs. We request that you refer this proposal to the appropriate committee for early consideration.

The Civil Service Retirement law currently grants an employee who performs part-time service the same service credit as is granted a full-time employee in computing the amount of the annuity, but uses basic pay that is prorated based on the percentage that the employee's part-time service is of a full-time schedule. In normal circumstances this formula produces annuities that appropriately reflect the part-time nature of the service so that, for instance, an employee who worked half-time for his or her whole career would receive an annuity half as large as that received by an equivalent full-time employee. However, if an employee with a long part-time career were to change to a full-time schedule for his last three years, under the current law the resulting annuity would be fully equal to that provided for an employee who worked a full-time schedule for an entire career.

In 1980, in response to expressions of concern about possible abuse of these provisions by employees of the Veterans Administration's Department of Medicine and Surgery, the law was amended to require the use of full-time annual rates of pay and proportional service credit in computing annuities for those Veterans Administration (VA) employees only. This proposal would apply a new computational methodology to the entire Civil Service Retirement System, thereby closing the loophole for all participants in the System, including those VA employees who would otherwise be covered by the earlier amendments.

Honorable George Bush

2

The proposal would not change the full crediting of part-time service for purposes of determining eligibility for an annuity, so that, for instance, an employee would still be able to retire at age 55 with 30 years of service, even if that service was part-time.

The Office of Management and Budget advises that there is no objection, from the standpoint of the Administration's program, to the submission of this proposal.

A similar letter is being sent to the Speaker of the House of Representatives.

Sincerely,

Constance Borner
Director

Enclosures



STATEMENT OF PURPOSE AND JUSTIFICATION

To accompany a draft bill

"To amend title 5, United States Code, to change the method of computing benefits for employees who perform part-time service under the Civil Service Retirement System, and for other purposes."

Currently, most employees covered by the Civil Service Retirement System receive full service credit for their part-time service, while having their salaries prorated in the computation of their annuities. Those who work part-time for a whole career receive an appropriately smaller annuity. However, if at the end of a long part-time career an employee changes to a full-time schedule for his last three years, the increase in the average salary produces an annuity equal to that received by an employee who has worked full-time for an entire career. This proposal would eliminate that possibility of abuse by amending the law to provide that, for an individual who becomes eligible to retire after September 30, 1985, the annuity would be computed under the appropriate formula multiplied by a fraction which expresses the ratio between the actual service and a full-time tour of duty for the employee's career. Thus, an employee with ten years of service performed on a half-time basis and ten years of full-time service would have his benefit as computed under the appropriate formula multiplied by three-fourths to determine his annuity. In addition, to the extent that part-time service is involved, the average pay will be determined on the basis of the full annualized rate of pay for the individual's position. Computations involving disability retirement or the limitation on initial annuity payments of 80 percent of average pay would continue to use prorated salary rates that bear the same relationship to the full annual salary of the employee's position as the employee's part-time schedule bears to a full-time schedule. There would be no effect on the benefits of full-time employees, or employees who work a consistent part-time tour. Employees of the Department of Medicine and Surgery of the Veterans Administration are already subject to revised computation provisions. In order to maintain consistency, individuals from that organization who become eligible to retire after September 30, 1985, will be subject to the Government-wide provision.

A BILL

To amend title 5, United States Code, to change the method of computing benefits for employees who perform part-time service under the Civil Service Retirement System, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 5, United States Code, is amended--

(1) in section 8339 by adding at the end thereof the following new subsection:

"(o) Notwithstanding section 8331(4) of this title, or any other subsection of this section, when computing the annuity of an employee under this section whose service includes service that was performed on less than a full-time basis, the average pay, to the extent it includes pay for service performed on less than a full-time basis, shall be determined by using the annual rate of basic pay that would be payable for full-time service in the position, and the benefit so computed shall then be multiplied by a fraction which expresses the ratio between the employee's actual service, as determined by prorating an individual's total service to reflect the service that was performed on less than a full-time basis, and the total service that would be creditable for the employee if all of the service had been performed on a full-time basis. The resulting amount shall be the annuity of the employee. This subsection is not applicable to computations made under subsection (f) or (g) of this section."; and

-2-

(2) in section 8341(b) and (d) by striking out "(n)" each place it appears and inserting in lieu thereof "(n)-(o)".

Sec. 2. Section 114 of Public Law 96-330 (94 Stat. 1030, 1039), section 508(b) of Public Law 96-385 (94 Stat. 1528, 1538), section 402(a) of Public Law 97-72 (95 Stat. 1047, 1062), and section 4(84) of Public Law 97-295 (96 Stat. 1287, 1312) are repealed.

Sec. 3. The amendments made by this Act shall take effect on October 1, 1985, and shall apply only to employees who become eligible to retire on or after that date.

SECTION-BY-SECTION ANALYSIS

To accompany a draft bill

"To amend title 5, United States Code, to change the method of computing benefits for employees who perform part-time service under the Civil Service Retirement System, and for other purposes."

The first section amends section 8339 of title 5, United States Code, by adding a new subsection (o) which provides, notwithstanding section 8331(4) or any other subsection of section 8339, for computing the annuity of an individual who performs service on less than a full-time basis by multiplying the benefit computed under the regular applicable formula by a fraction that represents the ratio between the employee's actual service, as determined by prorating total service to reflect the service that was performed on less than a full-time basis, and full-time service, and, to the extent that part-time service is involved, by deeming the annual rate of basic pay that would be payable for full-time service in the position as the rate of basic pay. It also provides that this new subsection is not applicable to computations involving disability retirement or the 80 percent limitation on initial annuity payments. In addition, sections 8341(b) and 8341(d) are amended by adding references to new section 8339(o) to ensure that survivor benefits are based on appropriate computations when part-time service is involved.

Section 2 of the bill repeals section 114 of Public Law 96-330, section 508(b) of Public Law 96-385, section 402(a) of Public Law 97-72, and section 4(84) of Public Law 97-295, to ensure that employees of the Department of Medicine and Surgery of the Veterans Administration who are eligible to retire after September 30, 1985, are subject to the same Government-wide provisions governing the treatment of part-time service in computing retirement benefits as other Government employees.

Section 3 of the bill provides that the amendments made by the bill shall take effect on October 1, 1985, and shall apply only to employees who become eligible to retire on or after that date.